

Astron Corporation Limited

ARBN 154 924 553

Incorporated in Hong Kong, company number 1687414

Preliminary Final Report - Unaudited

Year ended 30 June 2017

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CORPORATE DIRECTORY

Directors

Mr Gerard King (Chairman)
Mr Alexander Brown (Managing Director)
Mdm Kang Rong (Executive Director)

Company Secretary and Registered Office

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Sydney NSW 2000, Australia

Share Registrar

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Sydney NSW 2001, Australia

Computershare Hong Kong Investor Services Limited

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Wan Chai, Hong Kong

Auditors

Grant Thornton Audit Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000, Australia

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
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Internet Address

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Astron Corporation Limited and its Subsidiaries

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Summary of results and commentary

For the Year Ended 30 June 2017

PRELIMINARY FINAL INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Name of entity

ASTRON CORPORATION LIMITED

ARBN

154 924 553

Reporting period

30 June 2017

Previous corresponding period

30 June 2016

The information contained in this report should be read in conjunction with the most recent annual financial report.

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Summary of results and commentary

For the Year Ended 30 June 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

OPERATIONAL HIGHLIGHTS

- Continuing optimisation of the Donald Project in terms of mining method and technical process improvement. Progress made in obtaining approvals for a new test pit which will allow further testing of the HMC offtake in Astron's China facilities.
- Updated feasibility of the Donald Project with the inclusion of the third party tender financials.
- Two-stage infill drilling at the Donald and Jackson deposits in 2013 and 2015 substantially increased the Donald Mineral Sands project's total Measured and Indicated Mineral Resource estimates - the sum of in situ HM tonnes in these two categories increased from 52Mt in the 2011 Mineral Resource estimate to 115Mt in this Mineral Resource estimate (both at 1% HM cut-off) (refer ASX release 7 April 2016).
- Mining licence in Senegal obtained, final approvals being obtained, equipment being purchased in advance for mine development post year end.
- The research & development program during 2016 resulted in a \$727,895 tax refund, the 2017 R&D tax refund is expected to be lower due to the nature of the 2017 expenditure.
- Receipts from the proceeds from the sale of land in China continued with a further \$1,730,499 received subsequent to year end.

FINANCIAL HIGHLIGHTS

Net tangible asset value per share	Down	18.3%	to 24.4 cps
Revenue from continuing operations	Up	305.9%	to \$1,899,763
Cash (outflow) from operating activities	Up	\$704,072	to (\$3,222,111)
Loss before tax from continuing operations attributable to members	Down	\$994,761	to (\$4,009,418)
Loss after tax attributable to members	Down	\$1,817,352	to (\$2,590,844)
Total comprehensive income for the year	Up	\$2,722,731	to (\$3,978,717)

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COMMENTARY ON RESULTS

Overview

Astron Corporation Limited (Astron HK) is the group's holding company. Astron HK controls 100% of Astron Limited and Senegal Mineral Sands Limited. Astron Limited in turn controls three wholly owned operating subsidiaries: Donald Mineral Sands Pty Limited ("DMS"), Yingkou Mineral Resources Company Limited (Resources) and Astron Titanium Yingkou Company Limited (Titanium). DMS holds the Donald mineral sands mining project (Donald Project). Resources and Titanium are Astron's Chinese operating companies.

Financials

Statement of profit or loss and other comprehensive income

- Total revenue comprising sales, interest received and other income increased over the prior year. This is primarily due to the increase in trading in Chinese markets as the Zircon market continues to improve, interest earned increased while rental and other income remained steady.
- Overhead expenditure decreased by \$645,975 compared to 2016 with prudent management control over expenditure.

Statement of financial position

- The increase in intangible assets arises from development expenditure capitalised in respect of the Donald and Senegal Projects.
- Land use rights comprise 50 year land use leases. These leases are capitalised and amortised over the 50 year period.
- The movement in the net tangible assets value from 29.9 cps at 30 June 2016 (restated) to 24.4 cps at 30 June 2017 reflects the increase in capitalised intangible expenditure into the Donald and Senegal projects.

Operations review

Donald

The development of the Donald project ("DMS") continued during the year. Progress was made in the following areas:

Engineering

Conceptual engineering and design was completed in early 2017 to allow for a feasibility level tendering process to be carried out. The mapping, budgeting and operational assessments were completed.

Detailed mine planning including tailing plan and mapping was completed for the feasibility level.

Execution strategy

The execution strategy for the project will involve a standalone design contract for the Australian processing plant, reflecting a modular plant construction and assembly through a Chinese fabrication yard. The module assembly, and all wraparound construction will be conducted under several local construction contracts, and managed by a single integrated owners team.

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Approvals

A summary of the status of relevant approvals is as follows:

Approval type	Status	Date
Environment or Effects Statement (ESS)	Approved	2008
Mining licence	Approved	
Cultural Heritage Management plan	Approved	January 2014
Water rights	Secured	2012
Radiation licence	Approved	December 2014
Export permit	Approved	December 2016
Work plan	Submitted	
Work Authority	Submitted	

Project Infrastructure

It is estimated that 13km of local road upgrades will be required, together with 11km for the installation of designated water supply to the project site. Wherever possible, funding assistance has been considered from state and regional departments.

Detailed Engineering has been undertaken for site access roadways and Minyip township heavy vehicle bypass routes were completed in Q3 2016. These designs were completed with review and approval from state regulators and relevant stakeholders.

Power Systems are proposed to be by way of gas / diesel powered generation system, for which compatibility and suitability assessments were completed in Q4 2016. The specific nature of the site with a modulated plant design supports localised generation systems. The ability to install additional generator banks as needed supports the project with the ability to increase production physicals as necessary.

In relation to the water pipeline, hydraulic assessments and pipeline engineering designs were completed in Q3 2016. The piping system design catered for full scale operations with capacities for future expansions. Discussions with public, private, partnership (PPP) groups have commenced. With integration, supply and network load sheading from the local pipeline network has the potential for localised network infrastructure to potentially provide the project commencement water supply demand.

Separation test work on China floatation and product trials for customers

Bulk sample approval was received post year end. The bulk sample is anticipated to provide 3000t of ore material for floatation methods and product trials for customers.

Risk assessment

Risk assessments have been conducted at various stages, and major risks have been ranked and prioritized. The most significant technical risks are associated with site water and tailings management, and operational logistics of large mining equipment inside the pit. Test work has been conducted to quantify these risks and management plans have been put in place to address these. These risks have been logged as part of the Victorian WorkPlan process. Additional risks will be associated with ensuring that long-lead items are expedited, and that module assembly is completed on schedule and to an acceptable level of quality. These risks will all be specifically managed with specific management plans and designated hires into the project team.

Funding

Astron continues to work with interested parties to fund this project. Astron and CMEC have extended their current EPC Contract to 1 December 2017.

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Environmental

Data collection and surveys commenced with consultancy groups to populate the mine site Work Plan permit for Noise, Air Quality and Dust, Native Vegetation, Sensitive receptors and Radiation.

Work plan

The work plan has been submitted.

Community Engagement

DMS representatives have attended courses and workshops in Melbourne and Bendigo to compliment DMS ability to develop and execute DMS' community engagement plan which required certification, which has now been received.

China operations

Work in China continued to test and develop technology to be applied for downstream advancement of Group minerals.

Mineral sales increased as the Zircon market demand continues to improve.

Senegal

Mining licence

The Mining Licence was awarded in June 2017.

Environmental Approval

Conceptual workshops in Senegal and China have produced clear transportation and logistics plans to be included in the amended environmental approval.

Detailed Mine Design

MinxCon from South Africa commenced detailed mine design in mid-August 2017.

Community Engagement and Resettlement

Meetings and collaboration have been undertaken with local and state representatives for the implementation of the re-settlement plan of the local isolated communities situated within the mining licence lease area.

Procurement

Review, design and procurement of equipment and consumables commenced in July 2017.

Resources have been sourced in Dakar including office space, accounting support, commercial legal support and transport during July and August 2017. Logistics and operational processes work is ongoing with Contractual agreements set for execution beginning September 2017.

America

Astron continues to seek mineral sands opportunities in the USA for processing and sale in China.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Year Ended 30 June 2017 \$	Year Ended 30 June 2016 \$
Sales revenue	1,899,763	467,999
Cost of sales	(1,534,332)	(434,218)
Gross profit	365,431	33,781
Interest income	135,943	56,929
Other income	519,606	581,485
Distribution expenses	(33,089)	(9,085)
Marketing expenses	(8,490)	(10,145)
Occupancy expenses	(6,761)	(9,351)
Administrative expenses	(4,803,470)	(4,463,156)
Write back/(down) of stock	327,753	(171,077)
Bad debts provision	(226,716)	-
Costs associated with Gambian litigation	(134,987)	(946,786)
Finance costs	(8,379)	(10,766)
Other expenses	(136,259)	(56,008)
Loss before income tax expense	(4,009,418)	(5,004,179)
Income tax benefit	1,418,574	595,983
Net loss for the year	(2,590,844)	(4,408,196)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Increase/(Decrease) in fair value of available-for-sale financial assets	164,799	(151,973)
Decrease in Foreign currency translation differences	(1,552,672)	(2,141,279)
Other comprehensive income for the year, net of tax	(1,387,873)	(2,293,252)
Total comprehensive income for the year	(3,978,717)	(6,701,448)
Loss for the year attributable to:		
Owners of Astron Corporation Limited	(2,590,844)	(4,408,196)
Total comprehensive income for the year attributable to:		
Owners of Astron Corporation Limited	(3,978,717)	(6,701,448)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Year Ended 30 June 2017	Year Ended 30 June 2016
1. EARNINGS/(LOSS) PER SHARE		
For loss for the year		
Basic loss earnings per share (cents per share)	(2.12)	(3.60)
2. COMPARISON OF HALF-YEAR RESULTS		
Consolidated loss after tax attributable to owners reported for the first half year	(2,432,360)	(2,018,915)
Consolidated loss after tax attributable to owners reported for the second half year	(158,484)	(2,389,281)
Total consolidated profit/(loss) after tax for the year	(2,590,844)	(4,408,196)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Financial Position

As at 30 June 2017

	As at 30 June 2017	As at 30 June 2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,317,231	5,104,594
Term deposits greater than 90-days	60,898	60,685
Trade and other receivables	6,087,761	14,143,379
Inventories	1,888,353	730,564
Available-for-sale financial assets	217,293	540,237
Current tax assets	-	460,380
Total current assets	9,571,536	21,039,839
Non-current assets		
Trade and other receivables	6,396,921	-
Property, plant and equipment	19,953,921	21,046,191
Intangible assets	71,825,267	69,118,158
Land use rights	3,010,784	3,255,981
Total non-current assets	101,186,893	93,420,330
TOTAL ASSETS	110,758,429	114,460,169
LIABILITIES		
Current liabilities		
Trade and other payables	4,526,306	3,548,955
Provisions	58,088	67,783
Total current liabilities	4,584,394	3,616,738
Non-current liabilities		
Deferred tax liabilities	4,388,800	5,079,479
Long-term provisions	40,000	40,000
Total non-current liabilities	4,428,800	5,119,479
TOTAL LIABILITIES	9,013,194	8,736,217
NET ASSETS	101,745,235	105,723,952
EQUITY		
Contributed equity	1,605,048	1,605,048
Reserves	8,834,956	11,061,760
Retained earnings	91,305,231	93,057,144
TOTAL EQUITY	101,745,235	105,723,952

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Issued Capital	Retained Earnings	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2017	\$	\$	\$	\$	\$
Equity as at 1 July 2016	1,605,048	93,057,144	709,332	10,352,428	105,723,952
Loss for the year	-	(2,590,844)	-	-	(2,590,844)
Other comprehensive income					
Decrease in fair value of available-for-sale financial assets	-	838,931	(674,132)	-	164,799
Exchange differences on translation of foreign operations	-	-	-	(1,552,672)	(1,552,672)
Total comprehensive profit for the year	-	(1,751,913)	(674,132)	(1,552,672)	(3,978,717)
Transactions with owners in their capacity as owners					
Return of capital	-	-	-	-	-
Total of transactions with owners in their capacity as owners	-	-	-	-	-
Equity as at 30 June 2017	1,605,048	91,305,231	35,200	8,799,756	101,745,235

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2017

	Issued Capital	Retained Earnings	Financial Assets Available For Sale Reserve	Foreign Currency Translation Reserve	Total Equity
Year Ended 30 June 2016	\$	\$	\$	\$	\$
Equity as at 1 July 2015	1,605,048	97,465,340	861,305	12,493,707	112,425,400
Loss for the year	-	(4,408,196)	-	-	(4,408,196)
Other comprehensive income					
Increase in fair value of available-for-sale financial assets	-	-	(151,973)	-	(151,973)
Exchange differences on translation of foreign operations	-	-	-	(2,141,279)	(2,141,279)
Total comprehensive profit for the year	-	(4,408,196)	(151,973)	(2,141,279)	(6,701,448)
Transactions with owners in their capacity as owners					
Return of capital	-	-	-	-	-
Total of transactions with owners in their capacity as owners	-	-	-	-	-
Equity as at 30 June 2016	1,605,048	93,057,144	709,332	10,352,428	105,723,952

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

	Year Ended 30 June 2017 \$	Year Ended 30 June 2016 \$
Cash flows from operating activities:		
Receipts from customers	2,108,483	847,259
Payments to suppliers and employees	(6,635,229)	(4,506,639)
Interest received	135,943	58,125
Finance costs	(8,304)	(10,767)
Income taxes received	1,176,996	1,093,983
Net cash (outflow) from operating activities	(3,222,111)	(2,518,039)
Cash flows from investing activities:		
Receipts from investments in short term deposits	(213)	(360)
Receipts from disposal of investments	466,602	223,817
Receipts from disposal of land receivable	1,873,007	7,033,747
Acquisition/disposal of property, plant and equipment	(253,985)	(151,499)
Capitalised exploration, evaluation expenditure and development costs	(2,079,970)	(3,828,923)
Net cash inflow from investing activities	5,441	3,276,782
Cash flows from financing activities:		
Repayment of borrowings	-	(1,000,000)
Net cash (outflow)/inflow from financing activities	-	(1,000,000)
Net (decrease)/ increase in cash held	(3,216,670)	(241,257)
Cash and cash equivalents at beginning of the year	5,104,594	5,796,027
Net foreign exchange differences	(570,693)	(450,176)
Cash and cash equivalents at end of the year	1,317,231	5,104,594

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Additional Information

For the Year Ended 30 June 2017

1. DETAILS OF CONTROLLED ENTITIES

During the financial year ended 30 June 2017, no new subsidiaries were acquired. Subsequent to year end a new wholly-owned subsidiary in Senegal will be incorporated.

2. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

3. DIVIDENDS / RETURN OF CAPITAL

No dividends were paid or proposed for the years ended 30 June 2017 and 30 June 2016. There is no Dividend Reinvestment Plan in operation.

4. ACCOUNTING STANDARDS

Australian Accounting Standards and International Financial Reporting Standards have been used in preparing the information contained in this Appendix 4E.

5. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

6. CONTINGENCIES

The Group contingencies are broadly in line with those disclosed in the last annual report.

7. OTHER INFORMATION REGARDING THE PRELIMINARY REPORT

The information contained in this Appendix 4E is based on accounts that have not yet been audited.

8. COMPARATIVE INFORMATION

The comparative financial information has been presented on a consistent basis with the prior year's audited financial Statements.

9. TRADE AND OTHER RECEIVABLES

During the year ended 30 June 2015 the Group reported the disposal of leasehold land in China, as at 30 June 2017 there is \$10,050,196 (2017: \$12,558,176) AUD outstanding and receivable under the terms of the sale contract. A further \$1,730,499 has been received subsequent to year end.

There is no other significant information requiring disclosure in the preliminary report.

10. OTHER SIGNIFICANT INFORMATION

There is no other significant information requiring disclosure in the preliminary report.